



Michigan District Export Council-West
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VIA EMAIL

July 26, 2010

Mr. Daniel O'Brien
Deputy National Field Director
U.S. and Foreign Commercial Service
U.S. Department of Commerce

**Re: Feedback regarding National Export Initiative from the
Michigan District Export Council – West**

Dear Dan:

On behalf of the Michigan District Export Council – West, I appreciate the opportunity to provide comments on the National Export Initiative ("NEI"). Our Council applauds the focus on exporting, as it is an essential component to help the recovery of the U.S. economy. We also believe that increasing industrial output in the U.S. is the strongest way to grow the economy and that exporting is a key component in increasing industrial output. While the Administration has been very public in its support for the initiative, the success of the NEI will be a function of the ability of the Administration to execute the various steps needed to implement the NEI. One important aspect of that is to secure sufficient funding which we understand has been delayed.

The Michigan District Export Council- West works in conjunction with the U.S. Commercial Service (and in particular the USEAC in Grand Rapids, Michigan) to demystify and to promote exports by Michigan companies. Over two-dozen seasoned business leaders appointed by the U.S. Secretary of Commerce with extensive international expertise from a variety of industries serve on our Council. Below are some common threads our Council members shared when asked about how to make the NEI work.

1. Trade Finance

Improving access to credit markets through increased export financing will help ensure that American exporters have the same access to export financing as their competition, especially when private financing is otherwise unavailable. This is critically important to SMEs who make up a large majority of America's exporters (and a large majority of the companies we work with

at the DEC). Today, Canada, with an economy less than 1/10th the size of the U.S. economy spends almost four times the amount of money that the U.S. does on export finance.

SMEs are better suited to utilize Small Business Administration resources than the Ex-Im Bank. The SBA export working capital program should be expanded to \$5mm. The SBA could increase the number of potential exporters by making its programs less administratively burdensome for borrowers and bankers. Bankers in West Michigan comment that eliminating monthly reporting and remittance requirements would help draw more banks into the program - thus providing in theory more access to capital for small business exporters. These additional banks have their own SME clients that will then be more likely to hear the export message in a very practical way.

2. U.S. Trade Advocacy

More aggressive U.S. trade advocacy is critical to help U.S. companies compete globally. The MDEC-West Council supports the NEI and encourages the Administration to continue to advocate free and fair trade. Attention from the President and relevant cabinet-level agencies on aggressively expanding exports will show the world that we plan to compete. Our competitors' longstanding commitment to trade advocacy begins at the highest levels of government. For example, German Chancellor Angela Merkel regularly travels with a full delegation of German CEOs who pitch German goods and commodities to top leaders in government and business.

Included should also be an effort to finalize and approve the pending free trade agreements. They seem to have been forgotten in Washington. Yet the opportunities these agreements represent for U.S. business are significant.

3. Clean up the Export Control Regulations

Another key component of the NEI is to make the U.S. export control regime more agile, transparent, predictable and efficient – a weak spot that American competitors have been all too happy to take advantage of. Today, many sales that U.S. firms should rightfully win are lost and potential buyers driven away because of an outdated export control system that makes determining compliance and obtaining licenses (and even answers to questions) extremely burdensome. According to a 2010 Milken Institute-National Association of Manufacturers study, modernizing export controls on commercially available technology could result in annual gains of US\$64 billion in real GDP by 2019. Client access to, and interactions with, specialized ITA regulatory experts need to increase and/or become easier. Many bottlenecks experienced by our exporting (especially NTE) clients happen on the regulatory front. Funding for facilitating access to specialists (e.g. BIS) needs to increase.

4. Training and Counseling / Funding to Reach Exporters

Additional funding for training and counseling is essential. Government resources are available to help companies learn more about exporting. But frequently businesses are too busy to attend internationally focused trade seminars outside of their regions. Travelling to expensive seminars in major metropolitan areas is not realistic for most small business owners. In order to expand exports, the government should prioritize increased funding for educational events and increase the number of counselors available to meet with companies individually at their place of business. The U.S. Department of Commerce has Trade Specialists through the Commercial Service who do a great job of outreach to U.S. companies, educating them on export opportunities. However, the territories managed by each Commercial Service office are large. Increasing the number of staff per office could increase the number of companies who receive direct export counseling. Also it is rare for a company to have direct access to a BIS export regulation specialist. This access is difficult in part because of minimal travel budgets and not enough BIS outreach specialists. Increased offerings of local Export Control seminars at accessible program fees would be of great benefit to Michigan companies.

Another focus should be increased access to one-on-one in-depth counseling. "Programs" are often not specific enough to be helpful in niche markets or to respond to the specific questions of companies. Training is a key necessity for people just getting into exporting. For example, it is important to understand the idiosyncrasies of the country with whom you are dealing. For instance, the importation rules for Brazil are much more fluid and difficult than many other countries and you have to be prepared with contingency plans. The latest stumbling block for us has been the Importer Security Filing (ISF) request for bringing trial material (which we use to test our machines) into our country via ocean freight. This has proven to be a stumbling block for our clients and their forwarders.

Another way increased funding could directly benefit U.S. businesses is to create a program that directly motivates U.S. companies to attend overseas tradeshows. This is a commonly heard, and very relevant, hurdle to exports: The cost of attending overseas tradeshows is too great for many SMEs. Like other export promoting governments, there should be support in place to defray these costs.

5. Other

There are, of course, many other ideas that could be used to assist in the success of the NEI. One idea that came from a member of our DEC deals with US industries that have become shells of what they formerly were. We in Michigan, as the location of many labor intensive industries, have been particularly hard hit. This suggestion was that one focus of the NEI could

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be on assisting these damaged industries – to assist in their re-establishment and to help them export. Here is how it could work. If there are private investors willing to invest in the industry (therefore, by definition there are people willing to invest in that industry who believe that it can be productive and profitable once more), then protection and export incentives could be given to that industry to assist it in being re-established globally. We would not encourage trying to assist industries whose only means of survival is long-term government assistance. But many industries have been damaged by unfair foreign competition and today, many of our clients are revisiting their earlier decisions to outsource or offshore production.

On behalf of the Michigan District Export Council – West, I urge Congress to fully implement the National Export Initiative. As Congress begins to determine funding priorities for the next fiscal year, MDEC-West members support the full federal investment requested by the Obama Administration for the NEI for FY 2011 and beyond.

Very truly yours,

MICHIGAN DISTRICT EXPORT COUNCIL-WEST



Craig Meurlin
Chairman

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